



Fair Wear Foundation

Management system audit report

J.C.Rags B.V.

18 March 2011

FWF member since:

1 March 2010

Sources of information

Interview with Jacco van der Steen (Managing Director)

Interview with Yogi Lajawalla (Chief Operating Officer)

Interview with Nicholas Hurenkamp (Production Coordinator/Human Rights and Project Manager)

Interview with Michiel Reith (Sales Director)

Interview with Toebe van der Voorn (Marketing Manager)

Work plan 2010

Archived documents

Database FWF

Audit conducted by:

Juliette Li



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Introduction

Management System Audit (MSA) is an essential tool to assess the performance of member companies of Fair Wear Foundation (FWF) in establishing responsible supply chains. The MSA is conducted annually at the headquarter of each member by the verification staff of FWF.

In March 2011 FWF conducted the first MSA at J.C.Rags B.V. (Hereafter J.C.Rags). The MSA is to verify that J.C.Rags implements the management system requirements for effective implementation of the Code of Labour Practices, as specified in the FWF Charter.

Starting point for the MSA has been the work plan for 2010. FWF tailored the MSA to the specifics of the management system of J.C.Rags in order to assess the key issues of interest. During the MSA, employees of J.C.Rags were interviewed and internal documents had been reviewed.

FWF developed this report on the basis of findings collected during the MSA. The report contains conclusions, requirements and recommendations. If FWF concludes that the management system needs improvement to ensure effective implementation of the Code of Labour Practices, a requirement for improvement will be formulated. The implementation of required improvements is mandatory under FWF membership. In addition, FWF formulates recommendations to further support J.C.Rags in implementing the Code of Labour Practices. The numbering of the requirements and recommendations corresponds with the numbers of the conclusions.

FWF will publish the conclusions, requirements and recommendations of all MSAs on www.fairwear.org. FWF encourages J.C.Rags to include information from the MSA report in its social report.



Executive summary

J.C.Rags is a company owned by Zinvest Fashion B.V. which has also two women's wear brands: Dept and Dept Denim Department. These two brands are not yet member of FWF. The ambition of the company is to commit the two brands as FWF member after J.C.Rags is familiar with FWF's requirements.

J.C. Rags is in the process of implementing FWF's management system requirements. The company has demonstrated strong efforts to decrease the number of suppliers from 84 upon joining FWF to 56 at the time of the MSA. J.C.Rags has developed an effective system to ensure that all new suppliers are informed about FWF's Code of Labour Practices (CoLP) and committed to social compliance before starting business relationship.

Approximately 51% of the purchasing volume of J.C.Rags has been audited. The company has gone beyond the monitoring requirement of 40% after being a member of FWF for one year. Corrective Action Plans (CAPs) are discussed by production staff on case-by-case basis when they visit the manufacturers.

Factory audits initiated by J.C.Rags are conducted by an auditing company. The audits were effective and able to identify major issues at the suppliers.

One verification audit on behalf of FWF was conducted at a supplier of J.C.Rags in India. No violation regarding forced labour, child labour, abuse or discrimination was found. The factory did not have a trade union. Fire safety and machine safety were main findings regarding Occupational Health and Safety (OSH). No excessive overtime was found. Minimum wage was paid. Wage level in this factory did not meet living wage demand of key local stakeholders of FWF, such as Asia Floor Wage. In addition, not all workers were aware of the appointment letter as their employment contract.

J.C.Rags responded adequately to a complaint filed in Turkey concerning the FWF labour standard: freedom of association and the right to collective bargaining.

Staff of J.C.Rags is sufficiently informed about FWF membership and the implementation of CoLP. Information on FWF is provided through regular internal meetings. J.C.Rags has not yet included information about FWF membership on its website at the time of the MSA.

Agents and manufacturers are systematically informed about FWF membership via questionnaires and the three suppliers' workshops in 2010. The company collects feedback from its agents to evaluate the implementation of FWF's CoLP. Feedback from individual manufacturer is collected informally during production site visits.



Positive findings

Conclusions

The findings listed here are to highlight the performance of the company. More positive findings could be found in the report.

1. Working with fewer suppliers allows companies to concentrate on building good relationship and enhance the implementation of Code of Labour Practices (CoLP). J.C.Rags has demonstrated strong efforts to decrease the number of suppliers from over 84 upon joining FWF to 56 at the time of the MSA.
2. J.C.Rags has developed an effective system to ensure that all new suppliers are informed about the CoLP and committed to social compliance before starting business relationship. In the system, all potential suppliers are required to fill in a questionnaire, which includes code elements of FWF. The factories will be given a production code as active suppliers only if the questionnaire has been approved by the Human Rights and Project Manager of J.C.Rags. Without this production code, invoices from the factories are not recognised by the finance department.
3. Suppliers considered to be monitored by J.C. Rags represent 50.96% of the total purchasing volume.
4. Staff of J.C.Rags is sufficiently informed about FWF membership and the implementation of CoLP. J.C.Rags organised workshops to discuss with its agents and manufacturers on social compliance issues.
5. J.C.Rags has actively taken initiatives to cooperate with other companies to enhance the implementation of CoLP.

1. Sourcing

Conclusions

J.C.Rags is in the process of implementing FWF's management system requirements on sourcing.

1. J.C.Rags has written a sourcing policy mentioning its commitment of FWF's Code of Labour Practices (CoLP). The policy paper is distributed to the factories via the agents.
2. The company has demonstrated strong efforts to decrease the number of suppliers from 84 upon joining FWF to 56 at the time of the MSA.
3. Main manufacturers of J.C.Rags are located in India, Turkey and China. There is one supplier in Pakistan, which produces less than 1% of its total turnover.
4. J.C.Rags works with sourcing agents in production countries. Before being member of FWF, the company did not have a comprehensive information management system to store information regarding individual suppliers. The information system was established in 2010. J.C.Rags is in the process of collecting and analysing historical records. It is known that J.C.Rags has long term business relationships with most factories in India and Turkey. Exact percentage of suppliers which have worked with the brand for over 5 years will be reported at the next MSA.
5. J.C.Rags is working on stabilising its supply chain, especially in China. The company is actively working with FWF to share supplier data with other members on the basis of reciprocity.
6. All potential suppliers are required to fill in a questionnaire including code elements



of FWF. The factories will be given a production code as active suppliers only if the questionnaire has been approved by the Human Rights and Project Manager of J.C.Rags. Without this production code, invoices from the factories are not recognised by the finance department.

7. J.C.Rags provides an annual production plan to its agents. Factories have an overview of the expected orders with lead time. Re-orders are placed systematically. Agents assess the capacity of the manufacturers and negotiate with J.C.Rags on lead time. If an issue is raised or found, J.C.Rags supports manufacturers to avoid overtime in various ways, such as booking or purchasing the fabrics in advance. Audits initiated by J.C.Rags have discovered excessive overtime at three Turkish suppliers.
8. The basic requirement of J.C.Rags is to comply with local obligations and pay minimum wages. J.C.Rags is actively following the discussion on living wage and appreciates suppliers that pay living wages. At this stage, living wage is not a standard requirement for their suppliers since the definition of living wage and its implementation are still an on-going discussion.

Recommendations

7. J.C. Rags could discuss with the audited Turkish suppliers about the root causes of excessive overtime. If the main cause is low efficiency in the factory, the brand could support the factory with a training regarding productivity and social compliance. If overtime is mainly caused by rush orders from customers, J.C.Rags could discuss with other customers of the factory to provide support.
8. FWF encourages J.C.Rags to be a front runner of establishing responsible supply chain. The company could include living wage in the discussion with suppliers to identify their capacity and limitation. That would give the company more information on the implementation of living wage. More suggestions are provided in Chapter 4.

2. Coherent system for monitoring and remediation

Conclusions

J.C.Rags is in the process of implementing FWF's management system requirements setting up a coherent system for monitoring and remediation.

1. FWF requires member companies to audit at least 40% of their purchasing volume in the first year of their membership. J.C.Rags has gone beyond the basic requirement. Suppliers considered to be monitored by J.C. Rags represent 50.96% of the total purchasing volume.
2. J.C.Rags has initiated audits accounting for 40.36% of its purchasing volume. The quality of these audits meet basic requirement of FWF.
Another 3.31% is covered by FWF's verification activities including audits and complaints investigation.
To avoid repetitive auditing, J.C.Rags collected recent audit reports of 9 factories to follow up CAPs. The audits were conducted by other brands sourcing from the same suppliers. Six out of the nine reports met basic quality requirements of FWF, which accounted for 7.29% of the purchasing volume. These factories are considered to be monitored by J.C.Rags.
3. Three out of the nine audit reports available to J.C.Rags did not specify the audit methodology. These three factories represent 2.89% of the purchasing volume. The

- information on wage, working hour or freedom of association is not sufficient to make improvement plans. Thus three factories were not considered as being monitored.
4. The Human Rights and Project Manager is designated to follow up Corrective Action Plans (CAPs).
 5. CAPs are discussed on a case-by-case basis. Production staff of J.C.Rags meet with suppliers every 8 weeks. For J.C.Rags, the challenge is the tight meeting schedule and the expertise in compliance issues of individual buyers. The company intends to give more trainings to its agents and own production staff to follow up CAPs.
 6. J.C.Rags has made attempts to work with other members of FWF regarding monitoring and the execution of CAPs. This is under discussion at the time of the MSA.

Recommendations

2. J.C. Rags could use the factory audits to collect data to further improve its suppliers. Data could be used in the future to analyse the impact of the CSR activities and the performance of the suppliers. To maximise the capacity of auditing, J.C.Rags could negotiate with the auditing company to add the following details to the audit report:
 - a. Details on wage and overtime: It is important to identify the average wages in different production departments and working hours of workers even if the factory has completely complied with local laws. These are indicators to evaluate and compare the performance of individual factories. It is also essential data for implementation of living wage.
 - b. Details on trade unions, workers committees and grievance procedure: A well functioning workers representative organisation leads to good social dialogue. In case there is a union or worker's committee in the factory, it is added value to assess whether the facility is effective to determine the performance of the supplier. One option is to check the election process, frequency and contents of the meetings, and the awareness of workers representatives. The grievance procedure needs to be evaluated especially when workers representative is not presented.

FWF's verification audit report and audit quality checklist could be shared with the auditing company.
3. FWF encourages members to avoid unnecessary repetitive auditing. An audit conducted within the previous 12 months could be recognised, if the member company has discussed the CAPs with the management and verified that CoLP has been posted at the factory. J.C.Rags could use the audit quality checklist available on FWF's website to assess if an audit meets basic quality requirements.

One of the purposes of collecting existing audit reports is to support the suppliers to make continuous improvement. If a report does not give enough information to follow up, J.C.Rags could request another recent audit report or re-audit the factory. Individual cases could be discussed with FWF.
5. J.C.Rags could combine the effort of own production staff and the monitoring service of the auditing company.

Production staff and agents of J.C.Rags could focus on checking urgent and straightforward issues such as fire safety and posting of CoLP. An example of monitoring checklist from FWF could be shared with J.C.Rags.

Monitoring visits by auditors could be organised as often as needed to check improvements on wage, overtime and freedom of association.

A comprehensive information system could also contribute to effective monitoring. More suggestions are provided in chapter 6.

3. Complaints procedure

Conclusions

1. J.C.Rags has a designated person to handle complaints of workers.
2. Audits of J.C.Rags checked if the supplier posts its policy of engagement and FWF's CoLP/workers information sheet. The report does not specify if the contact information of local complaints handler is written on the posted document.
3. Verification audit by FWF at a supplier in India found that the workers information sheet was in Hindi instead of the local language Kannada. J.C.Rags has sent the correct version of the workers information sheet for posting at the factory after the audit.
4. J.C.Rags responded adequately to a complaint filed in Turkey concerning the FWF labour standard: freedom of association and the right to collective bargaining. Representatives of the Textile, Knitting and Clothing Industry Workers' Union of Turkey (TEKSIF) reported that workers at the two production facilities of a supplier had suffered several forms of discrimination due to their union involvement. This included unjust dismissals and threats by supervisors.

A joint effort of FWF, BSCI and several brands including J.C.Rags was initiated by Modint. An investigation lead by a FWF audit supervisor was carried out in November 2010. The investigation concluded that the complaint was grounded. Fair Labor Association (FLA) assisted the remediation process as a mediator between the factory and the union.

The conflict has been resolved and a collective bargaining agreement was signed in January 2011. All union members were reinstated. The trade union and the management have agreed on a training project for management and workers on communication and social dialogue.

Recommendations

- 2, 3. Auditors could check if the CoLP/workers information sheet has been posted at a place that is easily accessible by workers. The information sheet should be in local language and with the contact number of FWF's local complaints handler. J.C.Rags could provide a copy of the workers information sheet in local languages to the auditors to verify the document.

4. Improvement of labour conditions

Conclusions

Results of audits carried out by FWF local audit team are provided in the MSA report. FWF has drawn up an overview of labour conditions in the factory. The overview is annexed to this report.

1. One verification audit on behalf of FWF was conducted at one of the suppliers of J.C.Rags in India. The factory represents 1.07% of J.C.Rags total purchasing

<p>volume.</p> <p>No violation regarding forced labour, child labour, abuse or discrimination was found. The factory did not have a trade union. A workers committee was in place but representatives were not elected. Committee members were not aware of their roles and responsibilities. Minimum wage was paid in this factory. Wage level in this factory did not meet living wage demand of key local stakeholders of FWF, such as Asia Floor Wage. No excessive overtime was found.</p> <p>Fire safety and machine safety were main findings regarding Occupational Health and Safety (OSH).</p> <p>In addition, not all workers were aware of the appointment letter as their employment contract.</p> <ol style="list-style-type: none"> The results of the verification audit are consistent with findings from audits initiated by J.C.Rags in other factories in India. J.C. Rags has discussed CAPs with FWF and management of the supplier after the audit.
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<p>Recommendations</p> <ol style="list-style-type: none"> Since the issues found in the audit are common problems, J.C.Rags could organise a follow-up suppliers meeting to gather feedback from audited companies. The company could give knowledge support to the suppliers on meeting the requirements. <p>The priority is to ensure fire safety and eliminate any risk that might directly affect workers' health. Agent or production staff of J.C.Rags could monitor and document the improvement.</p> <p>J.C.Rags is recommended to utilise the wage ladder tool developed by FWF to assess current wage level and the living wage defined by various stakeholders. The wage ladder demonstrates the gap between a factory's current wage and living wage benchmarks. J.C.Rags could use the tool to start the discussion with this supplier and other essential suppliers, where audits had been carried out. Feedback from these suppliers could be collected. J.C.Rags could use the results and discuss internally how to support suppliers to implement living wage. The wage ladder will be available on FWF's website in June.</p>
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5. Training and capacity building

<p>Conclusions</p> <ol style="list-style-type: none"> Staff of J.C.Rags are sufficiently informed about FWF membership and the implementation of CoLP. Information on FWF provided through regular internal meetings. Agents and manufacturers are systematically informed about FWF membership via questionnaires and meetings. J.C.Rags organised three suppliers workshop via its agents in each production country where it sources from. Representatives of FWF were invited to J.C.Rags office to discuss the implementation of CoLP with the agents in March 2011. Through the verification audit FWF could confirm that workers at the factory in India were aware of labour rights in general.

6. Information management

Conclusions

1. J.C.Rags has an effective information system to keep the supplier register up-to-date. New suppliers are added in the system automatically when an order has been placed.
2. J.C.Rags was able to update its supplier list after using the supplier information system. The company regularly informed FWF about its new suppliers.
3. The supplier information system does not fully integrate the performance on implementing CoLP of individual suppliers. CAPs and remediation progress of suppliers are not systematically documented. CAPs are presented in different formats, such as word document, pdf or picture format. Information on remediation progress is recorded in hard copies.
4. Buyers and other relevant staff have sufficient access to social compliance status of suppliers. There is a routine for the staff to check and update social compliance status.

Recommendations

- 3, 4. A good information management system contributes to effective follow-up of CAPs. Members of FWF have the flexibility to choose an information management system that fits the company most. One option is to use the FWF's CAPs template in Microsoft Excel format and manually type in CAPs for individual supplier when an audit report or follow-up report is available. The template could be provided to J.C.Rags upon request.

In order to formalise the follow-up effort, a short policy paper could be written to instruct production staff and agents on how to use the monitoring check list, to conclude findings and to store information.

7. Transparency

Conclusions

1. J.C.Rags has not included information about FWF membership on its website. The management believes that the company has made substantial effort to monitor and improve working condition in its supply chain. A lot still needs to be done. The management is concerned that the FWF logo on the website might mislead consumers that J.C.Rags has already established a perfect supply chain.
2. J.C.Rags is formulating the annual social report at the time of the MSA. The report is expected to be published on its website and FWF's website by the end of April.

Requirements

1. It is required that all members should inform the public about FWF membership through their websites. J.C.Rags could discuss with FWF's communication manager on how to effectively communicate the message. Websites of other FWF affiliates



could also be used as reference.

8. Management system evaluation and improvement

Conclusions

1. The sourcing department of J.C.Rags evaluates systematically the progress on implementing FWF's CoLP. The company discusses the progress and challenges with FWF regularly.
2. The company collected feedback from its agents to evaluate the implementation of FWF's CoLP when issues arise. Feedback directly from individual manufacturer is informally collected during production site visits. The company is in the process of documenting and analysing the feedback.

Recommendations

2. Collect and documenting feedback regularly could help J.C.Rags to critically review its activities and strategies on implementing CoLP in the previous year. J.C.Rags could collect feedback formally from manufacturers. The feedback would provide reference to adept activity plans and define the next steps.

9. Basic requirements of FWF membership

Conclusions

1. J.C.Rags has handed in its annual work plan on time and paid its membership fee for 2011.

10. Recommendations to FWF

Recommendations

1. FWF could provide a simplified version of the information sheet. The current information sheet has three pages which contain too much text for workers to read.
2. It is very useful for J.C.Rags that FWF had attended a workshop with its agents to discuss issues regarding implementation of FWF CoLP. It would be good if FWF staff can visit the agents when they travel to the production countries. This will motivate the agents.

Annex

India

Improvement of labour conditions: summary of most important findings	A supplier in India (audited by FWF local audit team in February 2011)
Workers interviews	Workers interviews were conducted outside of the factory two days before the audit day. Workers were also interviewed during the audit inside the factory. All interviews were conducted in the absence of the management.
Sourcing practices (price, lead time, quality requirements)	No issue was found.
Monitoring system of FWF member company	Hindi version of the CoLP was posted at the factory, while the local language was Kannada.
Communication, consultation and grievance procedure	Grievance procedure was not displayed on the shopfloor notice boards; hence information did not trickle down to workers. Workers Committees were present. Workers' representatives were not elected but nominated. Committee members were not fully aware of their roles and responsibilities.
Employment is freely chosen	No issue was found.
No discrimination in employment	No issue was found.
No exploitation of child labour	No issue was found.
Freedom of Association and the Right to Collective Bargaining	There was no trade union in the factory.
Payment of a Living Wage	Minimum wage was paid. Wage level in this factory did not meet living wage demand of key local stakeholders of FWF, such as Asia Floor Wage.
No excessive working hours	No excessive overtime work was found.
Occupational health and safety	Fire safety and machine safety were main findings.
Legally binding employment relationship	Not all workers were aware of the appointment letter as their employment contract.